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SIPDIS

EUR/CACEN FOR MUDGE

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TAGS: [ENRG](#) [KR](#) [KZ](#) [ECONOMIC](#)

SUBJECT: KAZAKHSTANI OIL PATCH: KYRGYZ TULIPS WON'T GROW  
HERE

Classified By: POEC Chief Deborah Mennuti for reasons 1.4 (b) and (d).

1. (C) Summary: The Kazakhstani oil patch, both expats and locals, neither foresee nor seek a Kazakhstani repeat of the Kyrgyz "Tulip Revolution." They cite the following reasons:

- Kazakhstani economy is dynamic and growing. Despite rural poverty, many average citizens have a seat at the table;
- President Nazarbayev is smarter than his Kyrgyz counterpart. He will draw the necessary lessons and may seek better ties with the opposition;
- Overthrow of Akayev was a coup, not a popular revolution. Nazarbayev is more adept at managing elites and largely respects their economic interests.

Only one of eight oilies voiced muted support for a Kyrgyz scenario in the hope of ending corruption. Another predicted a GOK scramble to bolster relations with both Russia and the United States, while a third speculated on a Yeltsin-Putin style transfer of power. End Summary.

2. (C) Energy officer talked with eight oil-sector representatives, three Kazakhstani and five expats. The companies included four oil majors (two U.S. and two European), a Canadian independent producer, a U.S. service company, a small, independent Kazakhstani producer, and, finally, a Chinese energy company.

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It's the Economy  
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3. (C) Most interlocutors juxtaposed Kazakhstan's multi-year, near ten-percent growth with Kyrgyzstan's humbler economic accomplishments. A government relations rep for a U.S. major quipped that "Kazakhstan has an economy." An Amcit working for small Kazakhstani producer with ten years under his belt in-country said that "people are happier, they are doing better." He contrasted the current situation with widespread grumbling and discontent during the first few years of his tenure here.

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Comparing Apples and Oranges  
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4. (C) A majority cited Nazarbayev's combination of deftness and toughness as opposed to Akayev's grinning, "Mr. Nice Guy" image. An employee of a European oil major dubbed Nazarbayev "the best guy to learn a lesson." He predicted an opening to the opposition combined with a tightening of rules for NGOs. A Kazakh working for a Chinese producer supported this view. She said that Nazarbayev had "learned his lesson" and also predicted warmer state-opposition relations. She, however, was outraged at the biased - or simply nonexistent - coverage of Kyrgyz events on Kazakhstani state-controlled television stations.

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Bigger Pie to Cut  
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5 (C) Some pointed to a rising economic boat for Kazakhstani elites, versus Kyrgyzstan's family-dominated economy. They, the theory goes, can earn without political control. One expat noted the existence of competing "financial-industrial groups" and Nazarbayev's "tip-toeing" around them.

6. (C) The elite equation, however, cuts both ways. The Amcit complained of the elites "endless appetite." He worried that elite greed could metastasize into politics if left unchecked. An employee of a Canadian oil independent saw no "down-side" to regime change in Kazakhstan -- the only person polled to express such a view. He was bitterly critical of elite corruption such as allegations concerning Timur Kulibayev, the vice president of the state oil producer and presidential son-in-law. According to him, Kulibayev and his ilk prey on foreigners and locals alike.

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Closer Relations with U.S. and Russia

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17. (C) The country representative for U.S. oil major predicted that the GOK would quickly seek to bolster ties with the U.S. and Russia. He hoped the USG would use this opportunity to seek better treatment of U.S. and other foreign businesses in Kazakhstan.

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Nazarbayev December Surprise?  
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18. (C) A Kazakh representative of a European major, a former government official and by far the best connected of the group, thought a Kyrgyz scenario unlikely, though possible if a "perfect storm" of political unrest were to hit. That storm, according to him, would combine simultaneous industrial strikes, power outages, a ham-handed crackdown and/or a scandal.

19. (C) He sensed that Nazarbayev may be planning a Yeltsin-like exit in December 2005 through early elections. Assured guarantees from prosecution and some retention of the trappings of office, Nazarbayev would encourage the victory of Zharmakhan Tuyakbay, the former speaker of the Mazhilis and Procurator General who is currently the opposition presidential candidate. Family power centers -- such as Kulibayev's oil fiefdom -- would have to be scaled back, but could remain. Only Nazarbayev's fear of post-presidential "Kazakhgate"-related U.S. or international prosecution blocks this graceful exit.

110. (C) Comment: A call for reform -- including a curb on corruption -- lies hidden in the hydrocarbon sector's take on the "tulip revolution." It hopes events in Bishkek will serve as a wake-up call for the present government. As one Western oil man lamented: "Kazakhstan would have a real future if the people in power would only steal millions, and not tens and hundreds of millions."  
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